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Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

22 November 1982

Yugoslavia: The Strains Begin to Tell

Summary

Everywhere in society, there exist strong tendencies toward disintegration. Quiet and peaceful changes are no longer possible. In the economy, politics, and society troubled changes are coming.

-- Delegate to the Yugoslav Party's Twelfth Congress, June 1982

The Yugoslav political system may prove incapable of coping with country's international financial difficulties, domestic economic problems, and growing ethnic tensions. [redacted]

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We believe that the country's collective leadership of both party and government is a key factor. Tito created and bequeathed this system to give all Yugoslavia's ethnic groups enough of a say in national decisionmaking that none would be tempted to break away. The mechanics of the system--including rotational leaderships with brief tenures, unclear divisions of responsibility, and reliance on consensus--make the system indecisive. [redacted]

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State Dept. review completed

This memorandum was prepared by [redacted] East European Division, Office of European Analysis with a contribution from the Office of Soviet Analysis. It was coordinated with the Acting National Intelligence Officer for USSR/EE and the Office of Soviet Analysis. Research was completed on 12 November 1982. Comments and questions are welcome and should be addressed to [redacted] Chief, East European Division, Office of European Analysis. [redacted]

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Instead of becoming the central nervous system of the larger political-economic organism, the federal party leadership in Belgrade has lost initiative to regional and other federal power centers. Nowhere was the leadership's ineptitude more in evidence than at the party's Twelfth Congress in June--the first without Tito. The party emerged from its Congress deeply divided within its leadership and between the leadership and the rank and file, not only over immediate policy issues, but also over whether and in what directions the party needs basic reform. [redacted] 25X1

We believe that the Yugoslav system is likely to receive additional shocks in the months ahead--including perhaps a need to reschedule its debts--and to suffer a sharpening of disagreements within the party. The longer term risk is that the federal party will slip into an irreversible process of decay, and become increasingly unable to provide the glue that holds the Yugoslav state together. [redacted] 25X1

Should these trends continue, it is conceivable that Yugoslav reformers could gain the backing to move their party toward more democratic practices and their country toward a more genuinely market-oriented economy. But, given Yugoslavia's economic problems and history of destructive competition among its constituent ethnonational groups, we believe it more likely to revert to a condition of endemic instability, perhaps held together only by the armed forces. [redacted] 25X1

The stakes for the West in how the Yugoslav drama unfolds are high. The Soviets would be tempted to take advantage of an unstable situation; a Soviet success could have potentially profound consequences for the Balkans and perhaps the balance of power in Europe. [redacted] 25X1

Tito's Political Legacy

Throughout the post-war period Yugoslavia has been dominated by the personality of Josip Broz Tito and ruled by the partisan fraternity that he led to victory over the Germans and Italians, their Yugoslav collaborators, and rival resistance movements. After initially establishing a Stalinist regime, these same Yugoslav Communists concluded following their break with the Soviet Bloc in 1948 that Stalinism was a deformation of socialism. In its stead, they developed over time their own unique system, the core tenets of which are that, economically, workers manage their own enterprises on behalf of society at large and that, politically, the Communist party provides the glue that holds the system together by playing a guiding--but not administering--role. [redacted] 25X1

[redacted]

This Yugoslav system of "self-managing socialism," however appropriate for giving Yugoslavia's multiple and fractious nationalities and minority groups a sense of participation in their society, proved no panacea:

- It has not guaranteed that all Yugoslavia's nationalities accept federal policies. The army has had to be used twice to restore order in the Albanian minority region and its use threatened once to bring the Croats into line. [redacted] 25X1
- It has inhibited sensible federal policy-making and management in such key areas as international borrowing, trade, investment, and monetary and fiscal affairs. The result has been economic anarchy, chronic inefficiency, and periodic crisis. [redacted] 25X1
- The new system provided no orderly mechanisms for transferring power with the result that on three occasions Tito felt required to purge or demote key lieutenants who attempted to challenge him or to secure a paramount position from which to succeed him. [redacted]

During Tito's lifetime, Yugoslavia was able to function successfully, despite the weaknesses of the system, because Tito had the prestige to intervene at critical junctures and to impose remedial measures. In his final years, with no one acceptable in the wings to assume his role, he attempted to create and institutionalize a new system of collective political rule that would preclude struggles for one-man rule and guarantee that none of Yugoslavia's major ethnonational groups would have cause to challenge the integrity of the Yugoslav state. [redacted] 25X1

Tito's system requires that the President of the Presidium--the party's top official--hold office for only one year and for the job to rotate among the parties of the six republics and two provinces. The President cannot make decisions without the agreement of the other 22 Presidium members. Each of these officials, in turn, is proscribed from establishing policy in his own particular area of responsibility without agreement of the rest. All Presidium members are free to discuss and make policy proposals across the board. A similar system of collective responsibility by short-term officials in rotational positions had previously been established for the State Presidency, the President of which serves as head of state. [redacted] 25X1

Soon after Tito's death in May 1980, warning signs began to appear that the collective leadership scheme was not working

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well, in part because the Presidium in its weekly meetings tended to avoid tough issues. An article in the Party weekly Kommunist revealed in January 1981 that, of 36 topics on the Presidium's agenda in 1980, only ten received attention. Presidium member Stane Dolanc complained in a press interview about "ten hour meetings...in which I can assure you nothing is left unsaid."

[redacted]

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Saddled with a system that stacks the deck against appropriate and timely policy-making, Yugoslavia needed only a major problem to arise for Tito's legacy to come under criticism and for pressures to begin building for a restructuring of Yugoslavia's economic and political systems.* Two such problems in fact have appeared: an economic slowdown exacerbated by efforts to deal with a financial crisis that shows no signs of improvement, and the emergence of demands by the Albanian minority to be granted equal status with Yugoslavia's other major nationalities.

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The Economy: What to Do?

Yugoslavia's economic problems are part of Tito's legacy. The country's \$19 billion debt burden--higher per capita than Poland's--has resulted from heavy dependence on foreign loans to spur economic growth in the 1970s. Inflation, which accelerated during the investment boom of that period, rose to a record 40 percent in 1981. This high rate was reinforced by the continuing inability of the self-management system to set realistic limits on wages and domestic credit. But Yugoslavia's economic crisis did not emerge full-blown until Poland's financial collapse in 1981 sensitized international lenders to economic weaknesses throughout Eastern Europe and sharply curtailed Yugoslavia's access to hard currency credit.

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In our opinion events in other parts of Eastern Europe had the added impact of shaking the confidence of many in the

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Yugoslav party that the minor policy adjustments being debated would remedy Yugoslavia's problems. In an unprecedented wave of open criticism of the government's economic policy, Western-educated economists in particular, argued that the self-management system was wasteful, inefficient, and impeded rational economic decisions. And public debate over new directions for the economy--which the US Embassy calls the "fiercest" since the mid-1960s--surged far ahead of the authorities' ability to respond. [redacted]

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The failure of the Polish economy and the onset of political crisis in Poland strengthened the hand of reformers in the party hierarchy, who began immediately to spell out the dangers of a "stand-pat" approach. The collapse of a loan syndication effort in late 1981 and problems with reviving the syndication in 1982 further cut the ground from beneath those who were content to stay with existing policies and power relationships. [redacted]

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In September 1981, the government appointed a commission, headed by then State President Kraigher and staffed by some of Yugoslavia's most respected economists, to propose corrective measures. The commission's report, issued in April 1982, was more general than specific and on some points contradictory. It called, for example, for more attention to such "neglected" sectors as private agriculture, small business, and extractive industries, but did not suggest what specifically should be done. And, while it urged fuller employment and continued subsidization of weaker industries, it warned that inefficient factories would have to be closed and investment drastically reduced. [redacted]

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The Central Committee endorsed the Kraigher report in May, and the Twelfth Party Congress in June incorporated the report into its program. Party endorsement even of this generalized report caused extensive debate. Just before the Congress, for example, Kiril Gligorov--one of the chief Central Committee advocates of basic change in the economic system--lectured in Belgrade's authoritative daily newspaper Borba that the Party must abandon ideological biases if it hopes to correct deformations in the economy. At the other extreme, Svetozar Vukmanovic-Tempo, an old revolutionary, warned the Congress that "what is proposed is capitalism." [redacted]

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It has subsequently fallen to the government to convert the report into specific measures. Seventeen different laws await a tortuous legislative process which includes negotiations with each of the eight regional capitals. None of the laws has yet made it through the political gauntlet. [redacted]

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In the meantime, the leadership has steadily tightened the country's belt in hopes of impressing Western lenders that, unlike Poland and Romania, formal debt rescheduling will not be necessary for Yugoslavia. The most recent package, enacted on 14 October, included gasoline rationing, higher prices and further restriction on electricity consumption, temporary limits on foreign travel, and tighter import controls. On 22 October, the dinar was devalued by 20 percent. Such measures are steps toward easing the country's balance of payments problem and restoring lender confidence, key factors given Yugoslavia's near insolvency. The measures are not enough, however, to solve Yugoslavia's financial problems, much less to address the systemic weakness of the economic management system, the fundamental cause of the drift into economic crisis in the first place. And, given the roles assigned to Yugoslavia's various institutions, only the federal party could successfully address this issue--if it could muster a consensus among Yugoslavia's republican and provincial parties that basic reforms are indeed necessary and desirable. [redacted]

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The Albanian Minority Problem

Bloody rioting broke out in the Kosovo Autonomous Province, Yugoslavia's primary Albanian-minority region, in March-April 1981, less than a year after Tito's death. Claiming disingenuously that "we were surprised"--incidents of popular restiveness had already been evident during a Tito visit there in late 1979--federal authorities dispatched special police and some army units to restore order. Although many of these units have remained, demonstrations occurred again last spring, Serbian residents and officials are still being harassed and occasionally killed, and acts of economic sabotage are reported in the press regularly. [redacted]

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The cause of Albanian restiveness is the perception of many that, as non-Slavs in an overwhelmingly Slavic state, they are at the bottom of the economic and sociopolitical heap. Despite the fact that the more prosperous northern republics have for two decades been contributing funds to the economic development of the area, Kosovo still has the lowest standard of living and the highest unemployment rate of all Yugoslavia's regions. [redacted]

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The desiderata of the Albanians have not been all that well enunciated, but one demand which according to a variety of public and private sources appears to enjoy broad support is that the region's status be elevated from that of an autonomous province of the Serbian Republic to a full republic. The Albanians' apparent assumption is that many of their problems would be

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better addressed if more of the decisions affecting Kosovo were made by Albanians and if the region had more weight in federal councils. The larger import of the Albanians' demand is that one of Yugoslavia's major nationalities is challenging the distribution of power bequeathed by Tito. [redacted]

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The events in Kosovo have set off a nationalistic backlash, primarily in Serbia but also in the Slavic republics of Montenegro and Macedonia, which have substantial Albanian minorities. One can hear in Serbia, whose medieval kingdom was centered in this area now peopled primarily by Albanians, the slogan: "Kosovo is to Serbia what Jerusalem is to the Jews." Reinforcing the backlash is the fear that republican status for Kosovo would be but a way station on the road to union with Albania. And demographics play a role; with the highest birthrate in Europe, the Albanians are numerically gradually overwhelming their neighbors, who in turn are emigrating from Kosovo because of the hostile environment. [redacted]

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The party leadership has thus far proved inflexible on the Kosovo issue. Sticking to its initial rejection of full-republic status for Kosovo, Belgrade is still conducting purges and trials in the province that appear to have perpetuated resistance activities. The US Embassy this spring reported even increased separatist sentiment among young Albanians. [redacted]

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There are some pressures within the regime for making political concessions to solve the Kosovo problem. [redacted]

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[redacted] this approach was first raised by ex-Minister of the Interior Franjo Herljevic before his promotion to the party Presidium at the Congress in June and is shared by Stane Dolanc, his successor at the Ministry. There has been no movement, however, toward accommodation. We believe this is because some other party leaders, primarily from Serbia, remain determined to crush all forms of Albanian resistance and are using the rivalry between Serbs and Albanians to strengthen their personal power bases. According to a variety of Embassy sources [redacted] one such leader is the Serbian Dragoslav Markovic, who has instead urged a reassertion of Serbia's de jure powers over Kosovo and the Vojvodina Autonomous Province, where the bulk of Yugoslavia's small Hungarian minority resides. [redacted]

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Political Devolution, The Root Cause

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The federal authorities' tardiness in addressing Yugoslavia's economic problems and their continuing immobility on the Albanian minority issue reflect in no small measure the fact

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that Yugoslavia has become a confederation of eight republican and provincial power centers. Federal officials may be charged with making policy for all, but their primary loyalties lie in their various home regions. And those federal policies that are enunciated can be totally ignored by republican or provincial governments if they see no self-interest in honoring them. [redacted]

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Regional bureaucratic resistance to central authority is not, of course, a phenomenon seen only in Yugoslavia. But in most other Communist states the party constitutes a parallel institution which can and does intervene to enforce central authority on local officials who are in most cases also party members. In Yugoslavia, the federal party does not wield comparable powers; its Central Committee does not have an active secretariat nor does the federal party possess a personnel appointment clearance (nomenklatura) mechanism to assure that key positions throughout the system are staffed by persons acceptable to the federal party's leadership. [redacted]

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The federal party is further emasculated as a control mechanism by its very nature as a mass party--roughly one of every seven adults is a member. It also suffers from a substantial generation gap. While 73 percent of party members are under 30, some 60 percent of the Central Committee's members are World War II veterans in their 50s and beyond, as are 21 of the Presidium's 23 members. At the Twelfth Congress, a recurring complaint was repeated in the press about "horizontal rotation"--i.e., that the same senior officials appear to move endlessly among key republic and federal positions. [redacted]

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In Yugoslavia's permissive environment, regional power centers have seen primarily to their own parochial interests. In the economic sphere, for example, expensive refineries have been built, even though other republics had excess refining capacity, and several local airlines have been established in competition with the federal airline. Even as the federation has approached the possibility of a debt rescheduling or default, financial authorities in the more prosperous northern republics have, [redacted] fought tooth and nail to maintain control over foreign exchange earned in their republics lest these funds be drained off to bail out banks and enterprises elsewhere. [redacted]

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Political policies, too, have in our judgment begun to diverge more and more from region to region. According to US Embassy reports, Croatian authorities expend great energy to keep the Catholic Church on the defensive, while in Bosnia something of an Islamic revival is underway with the blessing of local

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officials. It is possible in Slovenia for a private farmer to own three times as much land, and an official to serve twice as long in office, as his counterpart in most other republics. And political and intellectual activities--e.g., youth demonstrations in support of Poland's Solidarity Union--are regularly permitted in Slovenia but routinely disallowed in Serbia. [redacted]

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In sum, the peoples of Yugoslavia have been diverging in the handling of their own particular affairs, which in turn makes it all the harder to form a consensus about what should be done at the federal level to solve problems of common concern. Absent such a consensus, the federal party without Tito at its head does not have the clout to impose solutions which serve federal interests first. [redacted]

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Critics of the System

Judging from their vigorous defense of parochial interest, regional officials--except for the Albanians--are by and large satisfied with the current distribution of authority in the Yugoslav system. Other important forces in Yugoslav society, however, are not. The media, for instance, since Tito's death have created what the US Embassy describes as the "new openness." Five or six major dailies and as many weekly news and light entertainment magazines have earned considerable popular respect by publishing broadly about economic and political problems. Editorial boards, although frequently under fire from various officials for controversial articles, are staunchly defending the public's "right to know". [redacted]

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No brief description of the daring of the press can do it justice. To give but one example, a recent issue of the federal news weekly NIN contained stories on such sensitive issues as:

- talented economic managers who refuse to apply for top posts because of the problems posed by the self-management system;
- "Where Socialism Went Wrong," an interview in which a professor of economics asserts that neither the economic plan nor market forces are working;
- the party's financial resources and expenditures, claiming for the first time that the party used about \$200 million in public tax funds between 1978-1981;
- the exclusive use of Brioni, President Tito's island vacation home, by federal functionaries. [redacted]

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Key among the media's critical themes has been the corruption and influence peddling that pervades Yugoslav society. Such practices are, of course, typically Balkan. The Yugoslav party has made much over the years of the scandals of the predecessor Royal Government, but the clan or the extended family, which looks after its own economically and politically, remains a key societal unit in much of the country. The party's reputation suffers because, in building its legitimacy partly on the new "socialist morality," it has in fact fallen prey to traditional "spoils system" practices. [redacted]

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With the Yugoslav Party having become a mass organization, particularly in the past decade, it has been deeply infected by the spoils system. Many of those who have rushed to join the party have done so because a party card both connotes moral and political fitness and in practice permits the establishment of connections essential to achieve the good life. As one writer to the editor of the news weekly Danas recently complained:

The red (party) membership booklet is used as an entry into the society of those who are select and certified. It usually means a better job, although not more knowledge. It often means a more secure material life and often even wealth: a villa, a car, a boat, a horse farm, and so forth. It thus creates a separate ~~stratum of rich people who have their own view of the~~ world.

With Yugoslavia's austerity programs now taking their toll on lower income groups, popular anger has been growing over the privileged status of the officialdom which is, at the same time, held responsible for the declining economy. It has not escaped notice in the media that of the 850,000 Yugoslavs who have officially reported to job-placement centers, only 75,000 have been party members. And the press feeds the public a steady diet of cases of embezzlement, misuse of authority, influence-peddling, and favoritism. We suspect that, in the absence of punishment of the high-level officials assumed by many Yugoslavs to be responsible, the exposures cause only increased frustration. [redacted]

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Writers and dramatists, too, have weighed in against abuses by party members, in some cases in a more serious way by suggesting that top party leaders have been guilty of abuses since the beginning. Several books have been published, for example, about the brainwashing and tortures inflicted on party members who opposed Tito's break with Stalin in 1948, and a play

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capitalizing on the theme has played to packed audiences. Even Tito's one-time official biographer, Vladimir Dedijer, has written a new book which suggests Tito made a series of political and military blunders during the war and had a flawed character-- e.g., his pretentiousness as demonstrated by his love of fancy uniforms. [redacted]

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Pressures Within the Party

Most, if not all, of those attacking deformation in the system and its malfunctioning are themselves party members. And one would be prudent, given the nature of Communist systems, to suspect that these critics enjoy protectors at higher levels. What is crystal clear, in any case, is that the critics enjoy broad support among the party rank-and-file, and this support was particularly in evidence at the party's Congress in June. As described by a correspondent of the Italian paper, Corriere della Sera on 9 July, it was a "congress of unease, self-criticism and unanswered questions." [redacted]

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During the four-day Congress, more than 600 delegates spoke, and many offered hundreds of revisions to draft Congress documents. According to press coverage of the debates, one commission on economic policy received no less than 151 proposed amendments, which swamped its drafting group. So numerous were the themes put forward by speakers that they defy neat categorization. Among the themes were:

- Accountability of officials. Several speakers called for regular reviews of the Central Committee's performance in light of trends in the economy. Another called for a special congress next year to reassess the leadership's record. And still another argued that, if the economy continued to decline, one-third of the Central Committee should resign.
- Greater democracy within the party. Challenges to the practice of presenting an official list of candidates for election by acclamation came in the form of proposals for the right to object to names on the official list, for multiple candidacies for all top party posts, and for secret ballots.
- Systemic reform. One delegate caused a major stir by proposing that the party reorganize to parallel the country's economic structure rather than its political-geographic structure.

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The tone of a number of speeches by a number of older party members, if not their specific proposals, leads us to suspect that in addition to standing pat or reforming there is a third current in party thought; that alternative calls for a return to a more authoritarian party with a paramount, if not unchallengeable, leader. Given the country's problems and the current leadership's relative impotence, it would be perhaps more surprising if a yearning for a return to simpler times did not exist. While we have reports suggesting that one or another leader is being encouraged to position himself for a bid for such power, we cannot confirm any of them. [REDACTED]

For all the dissent expressed at the Congress, in the end the leadership described it as a Congress of continuity. Programmatic vows were made to carry on with the basic principles of Titoism, and statements of principle received unanimous approval. The only clear reform measure adopted was for the secret ballot, which according to press accounts and Embassy sources, immediately caused problems in the election of the Presidium. One of Serbia's key leaders failed to get the required two-thirds vote on the first ballot, which required the calling of a second vote and a rigging of the results. In sum, the leadership was able to manage the Congress to prevent changes of the sort that the party's theoretical weekly, Komunist, has warned would create a "multi-party system within one party." [REDACTED]

Prospects

The Intelligence Community's estimate, written before Tito's death in 1979, observed that Tito's role "in the creation and preservation of contemporary Yugoslavia has been so large that one cannot be confident it will prove dispensable." Given events since Tito's death, many Yugoslavs are now asking themselves whether Titoism should survive Tito; some are answering "ne." We suspect that more Yugoslavs will come to that conclusion as the shortages of gasoline, coffee, medicines, and detergents multiply under Yugoslavia's austerity programs into more serious

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disruptions of consumer supplies and industrial growth in the year ahead. [REDACTED]

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Moreover, short of a major bailout effort by Western creditors, Yugoslavia almost certainly will have to ask for a rescheduling of its debts next year, if not sooner.* Rescheduling would come as a substantial shock to the Yugoslav system, both because it would be further evidence of the leadership's ineptitude and because the leaders have made paying their debts a matter of honor, a concept that still has substance in that Balkan society. [REDACTED]

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What, precisely, another major shock might lead to is, of course, a matter of conjecture. Conceivably, nothing at all major might occur; the regional power centers may be so strong, and their leaders so entrenched, that they will be able to shrug off the shock and continue to go their separate ways in policy and practice. Yugoslavia would not be the first country, when faced with problems of serious importance, to try to mask its lack of leadership and will with a muddle-through approach while drifting into a state of chronic political and economic instability. [REDACTED]

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Given the strength of dissatisfaction with the status quo in Yugoslavia, however, there seems at least an equal chance that a serious shock would precipitate events of greater significance. It is conceivable that a shock might galvanize the Yugoslavs into working seriously together to develop a comprehensive program of economic recovery and to reform their political system. But, in light of the Yugoslavs' history of working and fighting against each other, we believe they would more likely fall on one another, trading charges of malfeasance and attempting to prevent favorite oxen from being gored. Such a result, even if it led to personnel changes among federal leaders, would be a variety of muddle-through, but it would add even more impetus to divisive pressures that are leading toward de facto, if not de jure, collapse of the federal system. [REDACTED]

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To prevent a collapse of the system, we believe many Yugoslavs would look to the military, whose officer corps even before World War II was considered the arbiter of last resort. Perhaps foreseeing Yugoslavia's current difficult course, Tito in one of his last speeches praised the army as the "ultimate

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guarantee" of internal stability, as well as of the borders. We find the military as a political force one of the most difficult of Yugoslavia's institutions to evaluate; its generals tightly limit the access of foreigners to their thinking and usually keep a low public profile. [redacted]

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The most authoritative recent statement from the military came in an interview on 25 July by Colonel General Dane Cuic, head of the army's party organization and a newly elected member of the party Presidium. Asserting the military's right to speak out on the issues, Cuic commented: "People in the army are integral parts of our society, and we all worry about the same issues." While complaining that some of the country's problems could have been avoided had the civilian leaders "undertaken risks, bold moves, and inquiries," he added that "the morale of the officer corps is not in the least shaken by the economic situation (because) the political situation is much better." He warned, nonetheless, that "they are inseparable and, if the economy becomes more troubled, one day we will not be able to make this evaluation." [redacted]

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The Soviet Stake

The Soviets fell heir during and immediately after World War II to a substantial pan-Slavic reservoir of goodwill with several of the Yugoslav nationalities, especially the Serbs and Montenegrins. This reservoir was, however, largely drained by Stalin's military threats and economic blockade against Yugoslavia after the split in 1948. Thereafter, relations have blown hot and cold; since the 1960s they have for the most part been tepidly correct. Moscow has shown itself willing to accept Yugoslav non-alignment and its deviation from the Soviet norm in domestic policies, but probably on the understood condition that Yugoslavia do nothing that would offer significant strategic gains to the West or jeopardize continued Communist rule in Yugoslavia. [redacted]

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Over the longer term, the USSR probably hopes that the financial crisis will impel Yugoslavia toward closer economic and political relations with the East. Besides its extensive bilateral trade with the USSR, Yugoslavia has a special relationship with CEMA, and the Soviets probably hope that even closer ties can be institutionalized. At the same time, they must worry that Yugoslavia's economic problems could reach the point where they would threaten the collapse of the Titoist system, thereby shaking the foundations of Communist rule and risking a major Yugoslav shift toward the West. Realignment by Belgrade either to the East or to the West would have

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repercussions elsewhere in the Balkans, especially in maverick Romania and isolationist Albania. [redacted]

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Despite some areas of coincidence between Yugoslav and Soviet interests and policies--e.g., in the Third World and on Western arms control policies--there are some aspects of Yugoslav policy that irritate the USSR. For example, Yugoslavia has been an important counterweight to Cuban-led efforts to move the non-aligned movement into greater concert with the Soviet Bloc. Numerous Embassy reports, furthermore, cite private Soviet protests against Yugoslav policy positions on such issues as Poland, Afghanistan, and Kampuchea. The Soviets also have reacted sharply to what they perceive as critical Yugoslav media coverage, particularly of bilateral economic relations. [redacted]

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Yugoslavia's leaders remain wary of Soviet intentions. The Soviets over the past two decades, have become the dominant supplier of sophisticated weaponry to the Yugoslav military and, because of their exports of raw materials and energy to Yugoslavia, Belgrade's largest trading partner. Last year, Yugoslav leaders began to warn in public speeches that increasing dependence on trade with the USSR was not in Yugoslavia's security interests. Their sensitivities on this score, along with Moscow's own resource and hard currency problems and Yugoslavia's need for more hard currency trade, probably account for the leveling off in bilateral trade reflected in recent Yugoslav data. [redacted]

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We believe that the Soviets in the coming months have a limited range of options. Their own economic difficulties will prevent them from moving more rapidly to exploit Yugoslavia's need for economic assistance. Attempts to apply pressure through diplomacy and propaganda are extremely risky and have backfired in the past. We believe they have only a small number of controlled "Soviet sympathizers" in Yugoslavia and would be unlikely to risk using them until confident they could have some impact.* The lack of promising options, along with the Kremlin's

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"Whatever steps the USSR may have taken in political, cultural or intelligence activities to establish influential assets, it is difficult to pinpoint any likely pro-Soviet societal groups in Yugoslavia, and we assume that there are indeed few persons who would favor a closer alignment with the Warsaw Pact even should an absolute collapse of the present Yugoslav system occur in the post-Tito era."

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preoccupation with problems elsewhere in Eastern Europe and with the Soviet succession, suggests that Moscow will postpone hard decisions on Yugoslavia as long as the party stays in power and prevents significant moves to the West. [REDACTED]

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If the Yugoslav situation continues to deteriorate, the Soviets will probably feel compelled to play a more active role. The extent and nature of their involvement will depend on how serious they assess the situation in Yugoslavia to be, the degree to which their resources are strained by involvement elsewhere, the overall state of East-West relations, and the temper of the Kremlin's new leaders as the time for decision approaches. [REDACTED]

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If divisiveness appears to threaten Communist control, we believe the Soviets would begin urging through their media and through high-level contacts that the Yugoslav authorities take strong action to reverse the trend. They would try hard to cultivate further those members of the Yugoslav leadership most likely to be amenable to Soviet influence. They would also more openly criticize individuals and points of view they consider dangerous and would become more open about using Soviet sympathizers to advocate measures they favor. The Soviets might hope for a resurgence of public support in Yugoslavia for more authoritarian rule and closer alignment with the USSR in preference to instability and uncertainty. Despite their own economic difficulties, they would be more willing to take steps to help the Yugoslavs weather their financial crisis. [REDACTED]

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While not enthusiastic, the Soviets would accept a greater role for the Yugoslav military in preference to the loss of party control. We believe they would be even more loath than in the Polish case to risk coalescing Yugoslav resistance and evoking Western reactions by staging large military maneuvers on the borders or otherwise threatening military intervention. [REDACTED]

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Western Interests

Western--and particularly US--political, economic, and military support after Tito's split with Stalin was in our judgment an important ingredient in stymying Soviet power in Europe and in bringing to an end Yugoslavia's pursuit of its own political and territorial ambitions against Italy and Greece. One can argue, in addition, that Albania's subsequent split with the Soviets in 1961, though without Western or Yugoslav

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assistance, was possible only because Yugoslavia had already achieved independence from the USSR. [redacted]

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The Yugoslavs, in their attempt to perpetuate their recovered independence, chose to assume a position neither in the East nor the West, a strategy that becomes perhaps more understandable when one recalls that the Yugoslavs were for centuries divided between the Hapsburg and Ottoman empires and served as a near-perpetual battleground between those two previous embodiments of East and West. Seeking leadership instead among the countries of the Third World, the Yugoslavs have frequently worked against US interests by supporting liberation movements and even terrorist groups, endorsing detente in all its aspects without regard for the strategic balance, and working to achieve various Third World economic goals. In sum, it may be arguable whether the Yugoslavs have been in recent decades a bigger thorn in the side of the East or of the West.

25X1

Domestically, Yugoslavia has in our opinion become more Western than Eastern, as demonstrated by the freedom of its peoples to travel, the openness of its press, and only selective use of police repression. Some members of the Yugoslav elite, while they agree with their countrymen that Yugoslavia's military and subversive threat lies to the East, worry that Yugoslavia has become so Westernized politically and economically that the more serious threat to Titoism's long-term staying power is posed by the example of the West.* [redacted]

25X1

As Yugoslavia enters a period of greater fragility in the months--perhaps years--ahead, the West will have a stake in discouraging the Yugoslavs from turning back to the East, thus adversely altering the balance of power in Europe. But the West does not, in our judgment, have the ability absolutely to prevent Yugoslavia from slipping into a condition of chronic instability--say, as during the inter-war period, which featured periodic suspensions of political rights and incidents of political terrorism--nor to inoculate the country against greater Soviet

* Some leaders, primarily hardliners with little experience in international finance, are already warning that the West is using its economic influence to force Yugoslavia into compromising its socialistic goals. [redacted]

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meddling. Further Yugoslav movement westward and continued domestic liberalization probably requires a fair measure of domestic stability, a tricky proposition when the country's peoples are under new pressures and appear more interested in parochial interests than in the illusive Yugoslav commonwealth.

25X1

25X1